



TWO REPORTS - HOUSING TRUST FUNDS: THEIR NATURE, APPLICABILITY AND POTENTIAL IN CANADA AND GUIDE TO CREATING HOUSING TRUST FUNDS IN CANADA

Introduction

A housing trust fund is essentially a locally-based organization that has secured a dedicated source of ongoing revenue that is committed to the production and preservation of housing affordable to lower-income households. In the U.S., over 100 trust funds have been established by states, counties and municipalities. They have emerged mainly in response to the declining federal support for affordable housing since the early 1980s. They have been successful in generating needed funds, addressing critical housing needs and creating new partnerships to build a long-standing environment supportive of new housing initiatives.

In Canada, although a handful of similar funds have been recently established or are being considered, this approach remains largely unused here. In view of this, research was undertaken to get a better understanding of local funding sources that have the potential to contribute to the construction/rehabilitation of low-cost housing.

means of funding the provision of housing for lower-income households. It is presented in a number of parts:

- a review of the conditions in the U.S. that led to the establishment of HTFs;
- a summary of the recent American experience with HTFs, based mainly on the findings of a recent survey that identifies their funding sources, administrative structures and other key features; and
- a number of profiles of particular HTFs in both countries that describe in greater detail their origins, sources of funding, administration and accomplishments to date.

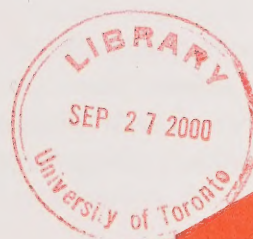
Guide to Creating Housing Trust Funds in Canada is a "how-to" guide for housing advocates and others interested in establishing a housing trust fund. It provides advice on such topics as establishing a campaign organization, identifying and developing the key features of the proposal — particularly funding priorities and revenue sources — and running a successful campaign.

Research Program

CMHC has published two complementary studies on housing trust funds:

- *Housing Trust Funds: Their Nature, Applicability and Potential in Canada*
- *Guide to Creating Housing Trust Funds in Canada*

Housing Trust Funds: Their Nature, Applicability and Potential in Canada examines housing trust funds as a locally-based



Findings

Housing Trust Funds: Their Nature, Applicability and Potential in Canada

HTFs first appeared in the U.S. in the late 1960s, but have spread widely and rapidly since the early 1980s. The proliferation was spurred mainly by fundamental changes in federal housing funding which was significantly reduced and increasingly tied to private financing and community participation through local governments, organizations and groups.

What has emerged is a multi-layered approach to affordable housing funding. The federal government in the U.S. continues to provide most of the subsidy needed, but capital grants, construction loans, mortgage loans and other financial supports are needed from many local sources.

In 1996, there were 110 HTFs in 103 jurisdictions in the U.S. — 34 city HTFs, 37 state, and 39 county. It is also notable that a majority of states have established a HTF, and that they can be found in jurisdictions of all sizes.

HTFs focus entirely, or mainly, on housing as well as related services for lower-income households. Lower-income households in this context can be taken to mean households that cannot afford suitable housing in the private market. Some HTFs even target more specifically the homeless, those in special need, or others overlooked by conventional housing programs.

The HTFs in the U.S. disbursed a total of \$300 million in 1996 from dedicated ongoing revenue sources. The most common of the state sources were related in some way to real estate activity, and the most productive were fees or taxes on real estate transfers. The other most common sources were interest on real estate escrow accounts and surpluses from their state-run bond programs.

Most of the city HTFs depended upon charges on development activity. Linkage fees on new commercial projects were the most productive. Other development charges — related to inclusionary zoning, density

bonuses, density transfers, or rental conversions — were also widely used but produced much less revenue. Some cities also dedicated proceeds from land sales and from various property, sales and hotel taxes.

Profiles are presented in the report to describe these successful and representative examples of HTFs in the U.S.:

- Florida: *State Housing Initiatives Program*
- Missouri: *Missouri Housing Trust Fund*
- King County WA: *Housing Opportunity Fund*
- Dayton & Montgomery County OH: *Affordable Housing Fund*
- Boston MA: *Neighbourhood Housing Trust*
- Boulder CO: *Community Housing Assistance Program*
- Berkeley CA: *Housing Trust Fund*
- Sante Fe NM: *Community Housing Trust Fund*

Additional profiles are included for all of the existing or proposed Canadian HTFs:

- Saskatoon SK: *Social Housing Reserve*
- Vancouver BC: *Affordable Housing Fund*
- Whistler BC: *Employee Housing Service Charge Reserve Fund*
- Banff AB: *Reserve Fund for Affordable Housing*
- Winnipeg MB: *Housing Opportunity Partnership Loan Fund*
- New Brunswick: *Affordable Housing Trust Fund* (proposed)
- Montréal QB: *Montréal Housing Trust Fund* (proposed)
- Edmonton AB: *The Edmonton Housing Trust Fund* (proposed)
- Toronto ON: *Social Housing Reserve Fund*

Finally, also included are profiles for a number of other local funds in this country that have been recently

created to support affordable housing. While they are not HTFs in the accepted sense, they do represent other important funding approaches:

- *Montréal Investment Fund*
- *Calgary Homeless Foundation Fund*
- *Construction Fund of Cape Breton Labourers' Development Company*
- *Saskatoon Housing Initiative Partnership Investment Fund*
- *Toronto's Capital Revolving Fund for Affordable Housing*

Potential and Applicability in Canada

HTFs remain largely untried in Canada, although a handful of similar funds have been either established or considered. Their growing importance in the U.S. indicates that they have considerable potential in this country as well for supporting affordable housing.

Guide to Creating Housing Trust Funds in Canada

This guide is written for anyone working on the creation of a housing trust fund. While the experience with housing trust funds is more extensive in the United States than Canada, the guide attempts to access what is instructive from experiences in the U.S. and Canada and to draw upon, as well, the emerging interest throughout Canadian cities and provinces.

The first section outlines the questions that need to be answered to determine when it is best to begin working on a housing trust fund. It covers who should participate and their potential roles. It also covers: the kinds of campaigns that are best; resources to support the campaign; and, campaign organization.

The second section covers how to develop a housing trust fund proposal, including how the housing trust fund will be administered; what programs and projects will be supported by the housing trust fund; and, the revenue sources that can be secured for the housing trust fund.

The final section covers how to run a successful campaign. The general areas discussed incorporate the key components of a campaign and include: presenting the housing trust fund proposal; and, getting others to support or endorse the proposal.

CMHC and the Canadian Centre for Public-Private Partnerships in Housing

CMHC's Canadian Centre for Public-Private Partnerships in Housing (CCPPPH) promotes and facilitates partnerships to increase the supply of affordable housing. The Centre gives advice on legal, financial and regulatory solutions, experiments with new financing and tenure agreements and disseminates information on successful practices. The Centre actively seeks out partnerships, especially at the grassroots level, with such organizations as existing non-profit agencies who were previously involved in the provision of social housing, faith groups, ethnic and cultural organizations, builders, developers and municipalities.

The Centre provides a number of tools to assist in developing affordable housing, including:

- "best practices" guides,
- partnership research,
- expert advice,
- new business leads,
- interest-free Proposal Development (PDF) loans, and
- facilitating access to mortgage insurance to assist groups access low-cost housing financing.

CMHC Research on Producing Affordable Housing in Canada Through PPPs

CMHC has completed a number of research reports and case studies, available through CMHC's Canadian Housing Information Centre, that examine a range of alternative measures which could be employed to support the creation of affordable housing in Canada through public-private partnerships. The following lists both published reports currently available and upcoming research to be published in the near future.

Published Research

- *Guide to Affordable Housing Partnerships*
- *The Role of Public-Private Partnerships in Producing Affordable Housing: Assessment of the U.S. Experience and Lessons for Canada*
- *Municipal Regulatory Initiatives: Providing for Affordable Housing*
- CMHC's Affordable Housing Web Page (www.cmhc-schl.gc.ca)
- *Comprehensive Analysis of Self-Build Housing Experiences*
- *Public-Private Partnerships in Municipal Infrastructure*

Upcoming Research

- *Affordable Housing Solutions: 15 Successful Projects*
- *Background Research on Philanthropic Support for Affordable Housing*
- *Alternate Tenure Arrangements*
- *Municipal Planning for Affordable Housing*

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Research Reports: *Housing Trust Funds: Their Nature, Applicability and Potential in Canada*
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A full report on this project is available from the Canadian Housing Information Centre at the address below.

Housing Research at CMHC

Under Part IX of the National Housing Act, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research.

This fact sheet is one of a series intended to inform you of the nature and scope of CMHC's research.

The **Research Highlights** fact sheet is one of a wide variety of housing related publications produced by CMHC.

For a complete list of **Research Highlights**, or for more information on CMHC housing research and information, please contact:

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OUR WEB SITE ADDRESS: <http://www.cmhc-schl.gc.ca/Research>